

Bronson Community Schools

Financial Report
With Supplemental Information

Year Ended June 30, 2008

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Issued Under
Separate
Cover



Independent Auditors' Report

Board of Education
Bronson Community Schools
Bronson, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bronson Community Schools, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bronson Community School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bronson Community Schools as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated July 29, 2008, on our consideration of the School District's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through ix and 19 are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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Board of Education
Bronson Community Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bronson Community School's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

July 29, 2008

Bronson Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2008

As administration of Bronson Community Schools, Counties of Branch and St. Joseph, State of Michigan, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$5,282,745 (net assets). Of this amount, \$1,492,898 (unrestricted net assets) may be used to meet the District's ongoing obligations to taxpayers, students, and creditors.
- The District's total net assets decreased by \$317,842. The decrease represents the degree to which increases in ongoing expenditures have outstripped similar increases in ongoing revenue.
- As of the close of the current fiscal year, the District's aggregated fund balance for the District's governmental funds was \$1,492,898 or 13.72 percent of the total expenditures of these funds.
- The general fund had a net change in fund balance of (\$145,277). At the end of the year, the total fund balance for the general fund was \$1,371,723 or 13.53 percent of the total general fund expenditures and outgoing transfers.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District financially as a whole. The District-Wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the School District's most significant fund – the General Fund.

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities – One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by private-sector corporations. However, the School District's goal is to provide services to our students, not to generate profits, as private-sector corporations do. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The statement of net assets and statement of activities present information about the following:

Governmental Activities -- All of the District's basic services are considered to be governmental activities, including instruction, support services, community services, athletics, food services, and transfers to other local districts. Property taxes, intergovernmental revenues (unrestricted and restricted State Aid), and charges for services finance most of these activities.

Bronson Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2008

These two statements report the District's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions at the State Capitol, student enrollment growth, birth rates, and facility conditions in arriving at their conclusion regarding the overall health of the District.

The district-wide financial statements can be found on pages 1- 2 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements – The fund financial statements provide detailed information about the most significant funds – not the District as a whole. The fund financial statements begin on page 3 and provide detailed information about the most significant funds. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The District's two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

Governmental Funds – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

Fiduciary Funds – The District is the fiduciary for various student group activities and for a scholarship fund. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

The basic fiduciary fund financial statements can be found on pages 7 and 8 of this report.

Additional Information – The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 9 – 18 of this report.

District-Wide Financial Analysis

The district-wide financial analysis focuses on the net assets and changes in net assets of the District's governmental activities. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Bronson Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2008

The following is a summary of the School District's net assets as of June 30, 2008 and 2007:

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Current Assets	\$3,640,617	\$3,888,011
Non-Current Assets	<u>3,982,970</u>	<u>4,304,428</u>
Total Assets	<u>7,623,587</u>	<u>8,192,439</u>
Current Liabilities	2,322,746	2,399,279
Non-current Liabilities	<u>18,096</u>	<u>192,573</u>
Total Liabilities	<u>2,340,842</u>	<u>2,591,852</u>
Net assets:		
Invested in capital assets – net of related debt	3,789,847	3,946,064
Restricted	-	-
Unrestricted	<u>1,492,898</u>	<u>1,654,523</u>
Total net assets	<u>\$5,282,745</u>	<u>\$5,600,587</u>

The above analysis focuses on the net assets. The change in net assets of the School District's governmental activities is discussed below. The net assets differ from fund balances and a reconciliation appears on page 4.

By far the largest portion of the District's net assets reflects its investment in capital assets (i.e. land, buildings, vehicles, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Typically, one portion of the District's net assets, the *restricted* portion, represents resources that are subject to external restrictions on how they may be used. In the case of the School District, we have no amounts that have to be restricted for debt service and capital projects. At this time we have no debt which needs to be repaid from voter approved property taxes collected as the debt service comes due. The remaining balance of \$1,492,898, which is *unrestricted* net assets, may be used to meet the District's ongoing obligations to students and creditors.

The results of this year's operations for the School District as a whole are reported in the statement of activities which show the changes in net assets for fiscal year 2008.

Bronson Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2008

The following is a summary of the change in net assets for the year ended June 30, 2008:

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Revenues:		
Program revenues:		
Charges for services	\$ 357,458	\$ 457,072
Operating grants	1,183,043	1,159,529
General revenues:		
Property taxes	882,608	787,374
Grants and state aid	8,198,827	8,217,206
Other	98,982	173,320
Total revenues	<u>10,720,918</u>	<u>10,794,501</u>
Functions/Program Expenses:		
Instruction	6,001,864	5,956,483
Support services	3,630,420	3,549,709
Food service activities	646,371	615,154
Athletic activities	331,965	318,035
Other	18,703	31,981
Depreciation (unallocated)	409,437	403,449
Total expenses	<u>11,038,760</u>	<u>10,874,811</u>
Decrease in net assets	<u>\$ (317,842)</u>	<u>\$ (80,310)</u>

The District's net assets decreased by \$317,842 during the current fiscal year. The decrease in net assets differs from the change in fund balances and a reconciliation appears on page 6.

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State Aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

General Fund Budgeting and Operating Highlights

The School District's budgets are prepared according to Michigan Law. The most significant budgeted funds are the General Fund and the non-major governmental funds for Food Service and Athletics.

During the fiscal year ended June 30, 2008, the School District amended the budgets of these governmental funds twice. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's General Fund original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

The General Fund actual revenue and other financing sources was \$9,996,782. That amount is above the amended budget estimate of \$9,973,676. The variance (0.23%) was due in most part to mid-year adjustments in local revenues from property taxes and in state aid reimbursement for 2006-2007 Special Education costs.

Bronson Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2008

The actual expenditures and other financing uses of the general fund were \$10,142,059, which is below the amended budget estimate of \$10,296,706. The \$154,647 variance (1.50%) was due to mid-year changes in discretionary expenditures at the District level in response to the changes in anticipated revenues. More detail of these changes may be found in the district budget amendment resolutions.

The General Fund had total revenues of \$9,996,782 and total expenditures of \$10,142,059 with a net change in fund balance of (\$145,277) and an ending fund balance of \$1,371,723. The current year planned net deficit was due to the re-insertion of some capital expenditures into the budget that had previously been deferred. Operational costs for utilities and fuel for the bus transportation fleet were large additions to our expenditures.

There were no significant differences between the final budget and actual amounts.

Capital Asset and Debt Administration

Capital Assets – At the end of the fiscal year 2008, the School District had \$10,095,376 invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, \$6,112,406 in depreciation has been taken over the years. We currently have a net book value of \$3,982,970.

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 62,200	\$ 62,200
Buildings and improvements	5,724,287	5,724,287
Furniture and equipment	3,463,364	3,449,221
Buses and other vehicles	845,525	771,889
Total capital assets	<u>10,095,376</u>	<u>10,007,397</u>
Less accumulated depreciation	<u>6,112,406</u>	<u>5,702,969</u>
Net capital assets	<u>\$ 3,982,970</u>	<u>\$ 4,304,428</u>

Major capital asset events during the current fiscal year included the following:

Acquisition of one new school bus (\$73,836), replacement of the scoreboard at the softball field (\$7,758) and replacement of an oven with a double convection oven in the Jr. /Sr. High School Kitchen (\$6,385). No Capital Assets were deleted in 2007-2008.

Long-Term Debt – At June 30, 2008, the District had total debt outstanding of \$192,573, of which \$20,650 is Durant Resolution Bonds that are a legal obligation of the School District, but an annual State of Michigan appropriation is the only revenue source making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the District is under no obligation for payment. The remainder of the debt is \$171,923 for an installment purchase agreement through Century Bank and Trust to complete the "Honeywell Performance Contract."

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Installment Purchase Agreement	\$ 171,923	\$ 335,661
Durant Resolution Bonds	20,650	20,650
Total	<u>\$ 192,573</u>	<u>\$ 356,311</u>

The District's total debt decreased by \$163,738 during the current fiscal year. There was no new borrowing this year other than State Aid Notes to meet cash flow needs.

Bronson Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2008

State statutes limit the amount of general obligation debt that a school district may issue to 15 percent of its total assessed valuation (State Equalized Value). The current outstanding general obligation debt for Bronson Community Schools is significantly below the current debt limitation.

Additional information on the District's long-term debt can be found in Note 8 on page 16 of this report.

Economic Factors and Next Year's Budgets and Rates

On March 15, 1994, the electors of the State of Michigan approved a ballot proposition to amend the State Constitution of 1963, in part, to increase the State sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in order to reduce reliance on local property taxes for school operating purposes and to equalize the per pupil finance resource disparities among school districts. The State Aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation guarantee beginning in fiscal year 1994-1995. The foundation allowance has not been established for 2008-2009 at the time of this writing. The foundation guarantee consists of the locally raised property taxes plus State Aid. The source of revenues for the State's contribution to the foundation allowance is derived from a mix of taxing sources, including but not limited to, a statewide property tax of six mills on all property (homestead and non-homestead) (reduced to five mills in 2003 only), a State sales and use tax, a real estate transfer tax and a cigarette tax. One additional factor for Bronson Community Schools is the loss of revenue due to a "Headlee Rollback." This occurs when the revenue generated by the increase in taxable values of property in the district outstrips the rate of inflation. This has caused the district to rollback the millage it may levy on all non-homestead property to 17.7264 mills instead of the 18 mills that have been voter approved. Consequently, the district has lost over \$57,000 in revenue since '04-'05. The loss will be approximately \$12,000 per year, provided there is no further rollback, until the millage is renewed in 2013. If the State does not receive enough revenue to support enacted State School Aid Budgets we could have our State Aid payments reduced during the year which is exactly what has happened in the past.

Increases in the costs for utilities and fuel for transportation along with increases in the cost of providing health insurance for employees are putting an ever growing strain on school budgets, ours included. We hope to mitigate this problem by careful staffing decisions, acute awareness of opportunities to cut costs, and attempting to enhance our revenues when possible. Unfortunately the trend in recent years of deficit spending has cut significantly into the financial soundness of the District. The fiscal year just completed was not an exception, as we cut into our fund balance. We continued to defer maintenance projects though we were able to replace some technology. Our buildings continue to show the signs of aging and this will need to be addressed in the near future. The teachers' contract was settled and the new expiration date is June 30, 2009.

The following factors were considered in preparing the District's budgets for the 2008-2009 fiscal year:

- Foundation allowance of \$7,259 per pupil -- increase of \$55 over '07-'08
- Student enrollment slightly lower than in 2007-2008
- State aid membership based on an 80-20 percent blended count
- Further reductions in Federal Grant allocations
- Staff maintained at '07-'08 levels
- Retirement rate decreased from 16.72% to 16.54%

Additional detail is available through analyzing district budgets and supporting documents for '08-'09.

Bronson Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2008

Requests for Information

This financial report is designed to provide a general overview of the Bronson Community School's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

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Bronson Community Schools
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 1,947,630
Receivables:	
Due from other governmental units	1,616,803
Inventories	16,611
Prepaid expenses	59,573
Capital assets less accumulated depreciation of \$6,112,406	<u>3,982,970</u>
Total assets	<u>7,623,587</u>
Liabilities:	
Accounts payable	51,026
State aid anticipation loan	1,200,000
Accrued payroll	596,970
Accrued interest	550
Other liabilities	299,723
Long-term liabilities:	
Other obligations, due within one year	174,477
Other obligations, due in more than one year	<u>18,096</u>
Total liabilities	<u>2,340,842</u>
Net Assets:	
Investment in capital assets - net of related debt	3,769,847
Unrestricted	<u>1,492,898</u>
Total net assets	<u>\$ 5,282,745</u>

See Notes to Financial Statements.

Bronson Community Schools
Statement of Activities
Year Ended June 30, 2008

Functions/Programs	<u>Program Revenues</u>			<u>Governmental</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Activities</u>
		<u>Services</u>	<u>Grants/</u>	<u>Net (Expenses)</u>
			<u>Contributions</u>	<u>Revenues and</u>
				<u>Change in</u>
				<u>Net Assets</u>
Primary Government				
Governmental activities:				
Instruction	\$ 6,001,864	\$ 52,031	\$ 756,983	\$ (5,192,850)
Support services	3,630,420	-	7,351	(3,623,069)
Food service activities	646,371	230,104	418,709	2,442
Athletic activities	331,965	75,323	-	(256,642)
Community services	4,123	-	-	(4,123)
Interest on long-term debt	14,580	-	-	(14,580)
Depreciation (unallocated)	<u>409,437</u>	-	-	<u>(409,437)</u>
Total governmental activities	<u>\$ 11,038,760</u>	<u>\$ 357,458</u>	<u>\$ 1,183,043</u>	<u>(9,498,259)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				882,608
State aid not restricted to specific purposes				8,198,827
Interest and investment earnings				82,718
Other				<u>16,264</u>
Total general revenues				<u>9,180,417</u>
Change in Net Assets				(317,842)
Net Assets - Beginning of Year				<u>5,600,587</u>
Net Assets - End of Year				<u>\$ 5,282,745</u>

See Notes to Financial Statements

Bronson Community Schools
Balance Sheet
Governmental Funds
June 30, 2008

	Other Nonmajor Governmental		
	General	Funds	Total
<u>Assets</u>			
Cash and investments	\$ 1,862,700	\$ 84,930	\$ 1,947,630
Receivables:			
Due from other governmental units	1,612,133	4,670	1,616,803
Inventories	-	16,611	16,611
Prepaid expenditures	31,573	28,000	59,573
Total assets	<u>\$ 3,506,406</u>	<u>\$ 134,211</u>	<u>\$ 3,640,617</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 37,990	\$ 13,036	\$ 51,026
State aid anticipation loan	1,200,000	-	1,200,000
Salaries payable	596,970	-	596,970
Accrued expenditures	299,723	-	299,723
Total liabilities	<u>2,134,683</u>	<u>13,036</u>	<u>2,147,719</u>
Fund Balances:			
Reserved for inventory	-	16,611	16,611
Reserved for prepaid expenditures	31,573	28,000	59,573
Unreserved: undesignated	1,340,150	76,564	1,416,714
Total fund balances	<u>1,371,723</u>	<u>121,175</u>	<u>1,492,898</u>
Total liabilities and fund balances	<u>\$ 3,506,406</u>	<u>\$ 134,211</u>	<u>\$ 3,640,617</u>

See Notes to Financial Statements

Bronson Community Schools
Reconciliation of Fund Balances on the Balance Sheet of Governmental Funds to Net Assets
of Governmental Activities on the Statement of Net Assets
Governmental Funds
June 30, 2008

Total Fund Balances - Governmental Funds		\$ 1,492,898
Amount reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$ 10,095,376	
Accumulated depreciation is	<u>(6,112,406)</u>	
		3,982,970
Long-term liabilities not due and payable in the current period and not reported in the funds:		
Bonds payable		(20,650)
Installment purchase agreements		(171,923)
Accrued interest payable is not included as a liability in governmental activities.		<u>(550)</u>
Total Net Assets - Governmental Activities		<u>\$ 5,282,745</u>

See Notes to Financial Statements.

Bronson Community Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:			
Local sources	\$ 1,033,621	\$ 305,427	\$ 1,339,048
State sources	8,588,070	48,469	8,636,539
Federal sources	<u>375,091</u>	<u>370,240</u>	<u>745,331</u>
Total revenues	<u>9,996,782</u>	<u>724,136</u>	<u>10,720,918</u>
Expenditures:			
Instruction	6,075,702	-	6,075,702
Support services	3,646,496	-	3,646,496
Athletic activities	-	339,725	339,725
Food service activities	-	652,756	652,756
Community services	4,123	-	4,123
Debt service:			
Principal and interest payments	<u>163,738</u>	<u>-</u>	<u>163,738</u>
Total expenditures	<u>9,890,059</u>	<u>992,481</u>	<u>10,882,540</u>
Revenues Over (Under) Expenditures	<u>106,723</u>	<u>(268,345)</u>	<u>(161,622)</u>
Other Financing Sources (Uses):			
Operating transfers in	-	252,000	252,000
Operating transfers out	<u>(252,000)</u>	<u>-</u>	<u>(252,000)</u>
Total other financing sources (uses)	<u>(252,000)</u>	<u>252,000</u>	<u>-</u>
Net Changes in Fund Balances	(145,277)	(16,345)	(161,622)
Fund Balances - Beginning of Year	<u>1,517,000</u>	<u>137,520</u>	<u>1,654,520</u>
Fund Balances - End of Year	<u>\$ 1,371,723</u>	<u>\$ 121,175</u>	<u>\$ 1,492,898</u>

See Notes to Financial Statements.

Bronson Community Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Governmental Funds
Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (161,622)

Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the
Statement of Activities, these costs are allocated over their estimated
useful lives as depreciation.

Depreciation expense	\$ (409,437)	
Capital outlay	<u>87,979</u>	
		(321,458)

Accrued interest is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.	1,500
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Bond proceeds are reported as financing sources in governmental funds
and thus contribute to the change in fund balance. In the Statement of Net
Assets, however, issuing debt increases long-term liabilities and does not
affect the Statement of Activities. Similarly, repayment of principal is an
expenditure in the governmental funds but reduces the liability in the
Statement of Net Assets.

Repayments:	
Principal	<u>163,738</u>

Change in Net Assets of Governmental Activities	<u>\$ (317,842)</u>
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See Notes to Financial Statements.

Bronson Community Schools
 Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2008

	Private Purpose Trust Funds	Agency Fund - Student Activities
Assets:		
Cash and cash equivalents	\$ 113,792	\$ 146,480
Liabilities:		
Due to student groups		- \$ 146,480
Net Assets:		
Restricted for special purposes	113,792	
Total net assets	\$ 113,792	

See Notes to Financial Statements.

Bronson Community Schools
Statement of Change in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2008

	Private Purpose Trust <u>Funds</u>
Revenues:	
Gifts and contributions	\$ 9,240
Interest and investment earnings	<u>3,659</u>
Total revenues	<u>12,899</u>
 Expenses:	
Scholarships awarded	<u>11,696</u>
Total expenses	<u>11,696</u>
 Change in Net Assets	 1,203
 Net Assets - Beginning of Year	 <u>112,589</u>
 Net Assets - End of Year	 <u>\$ 113,792</u>

See Notes to Financial Statements.

Bronson Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of Bronson Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the District does not contain any component units.

District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Bronson Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-Wide Statements – The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-Based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, severance pay, claims, and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund -- The General Fund is the School District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Special Revenue Funds maintained by the District are the Athletics Fund and Food Services Fund.

Debt Funds – Debt Funds are used to record taxes, interest, and other revenue for payment of principal and other expenditures thereof on a particular bond issue. The District maintains the Durant Debt Fund.

Bronson Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the district-wide statements.

The agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school-related purposes. The funds are segregated and held in trust for the students and parents.

The private purpose trust fund is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where interest payments may be spent. These funds are not reported on the District financial statements.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Property Taxes - Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation.

General Fund – Non-homestead

17.7264

Bronson Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The District has determined the uncollectible amounts are immaterial and no provision has been recorded.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with State law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Inventories and Prepaid Items – Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. The government defines capital assets as assets with an initial individual cost of \$5,000 or greater and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	50 years
Site improvements	20 years
Buses and other vehicles	5-10 years
Furniture and equipment	5-20 years

Compensated Absences - The District does not report a liability for compensated absences. Sick leave can be accumulated up to 120 days, with any accumulation over 120 days being paid out at the beginning of each school year. At retirement or termination, accumulated sick pay is forfeited. Vacation leave cannot be carried over from year to year. Any unused leave at year-end is forfeited.

Bronson Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Long-Term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Note 2 – Stewardship, Compliance, and Accountability

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriations lapse at fiscal year-end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the *Uniform Budgeting and Accounting Act* (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of budgeted estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any, for the General Fund are noted in the required supplementary information section.

Bronson Community Schools
Notes to Financial Statements

Note 2 – Stewardship, Compliance, and Accountability (Continued)

4. The Superintendent is authorized to transfer budgeted amounts between major expenditures functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2008. The District does not consider these amendments to be significant.

Note 3 – Deposits and Investments

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	<u>\$1,947,630</u>	<u>\$ 260,272</u>	<u>\$2,207,902</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 158,036
Investments in pooled investments	2,049,666
Petty cash and cash on hand	<u>200</u>
Total	<u>\$2,207,902</u>

The School District's cash and investments are subject to several types of risk, which are examined in more detail below.

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Schools District's deposits may not be returned to it. The School District requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$173,294 had \$73,294 of bank deposits that were uninsured and uncollateralized.

Investments – Investments under the interlocal agreement (MILAF) in the amount of \$2,049,666 are regulated by the Urban Cooperation Act. The fair value of the position in the interlocal agreement pools is the same as the value of the pool shares. The interlocal agreement (MILAF) is rated at AAAM according to Standard and Poor's.

Note 4 – Receivables

Receivables at June 30, 2008 consist of amounts due from other governmental units, primarily the Michigan Department of Education, totaling \$1,616,803.

Bronson Community Schools
Notes to Financial Statements

Note 5 – Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Year-End Balance</u>
Assets not being depreciated – land	\$ 62,200	\$ -	\$ -	\$ 62,200
Capital assets being depreciated:				
Buildings and improvements	5,519,555	-	-	5,519,555
Site improvements	204,732	-	-	204,732
Buses and other vehicles	771,689	73,836	-	845,525
Furniture and equipment	<u>3,449,221</u>	<u>14,143</u>	-	<u>3,463,364</u>
Subtotal	<u>9,945,197</u>	<u>87,979</u>	-	<u>10,033,176</u>
Accumulated depreciation:				
Buildings and improvements	2,543,370	83,773	-	2,627,143
Site improvements	113,721	9,041	-	122,762
Buses and other vehicles	355,319	77,059	-	432,378
Furniture and equipment	<u>2,690,559</u>	<u>239,564</u>	-	<u>2,930,123</u>
Subtotal	<u>5,702,969</u>	<u>409,437</u>	-	<u>6,112,406</u>
Net capital assets being depreciated	<u>4,242,228</u>	<u>(321,458)</u>	-	<u>3,920,770</u>
Net capital assets	<u>\$ 4,304,428</u>	<u>\$ (321,458)</u>	<u>\$ -</u>	<u>\$ 3,982,970</u>

Depreciation for the fiscal year ended June 30, 2008 totaled \$409,437. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Note 6 – Interfund Transfers

During the current fiscal year, the General Fund transferred \$252,000 to the Athletics Fund. The purpose of the transfer was to subsidize the Athletics Fund activities for the year.

Note 7 – Note Payable

During the year, the District issued a State Aid anticipation note dated August 20, 2007 maturing August 20, 2008 in the amount of \$1,200,000 with an interest rate of 3.68%.

<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2008</u>
<u>\$1,300,000</u>	<u>\$1,200,000</u>	<u>\$1,300,000</u>	<u>\$1,200,000</u>

The District has also approved the issuance of a State Aid anticipation note in the amount of \$1,200,000 with an interest rate of approximately 4% issued in August, 2008 with a one-year maturity.

Bronson Community Schools
Notes to Financial Statements

Note 8 – Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

Long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Installment purchase agreement	\$ 335,661	\$ -	\$ 163,738	\$ 171,923	\$ 171,923
Durant Bonds	<u>20,650</u>	<u>-</u>	<u>-</u>	<u>20,650</u>	<u>2,554</u>
Total governmental activities	<u>\$ 356,311</u>	<u>\$ -</u>	<u>\$ 163,738</u>	<u>\$ 192,573</u>	<u>\$ 174,477</u>

Annual debt service requirements to maturity on the above governmental debt obligations are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 174,477	\$ 7,376	\$181,853
2010	2,676	862	3,538
2011	8,819	1,796	10,615
2012	3,224	314	3,538
2013	<u>3,377</u>	<u>161</u>	<u>3,538</u>
Total	<u>\$ 192,573</u>	<u>\$ 10,509</u>	<u>\$203,082</u>

Long-term debt consists of:

\$50,383 Durant Non-Plaintiff serial bonds due in
annual installments of \$2,554 to \$8,819 through
May 15, 2013; interest at 4.70% \$ 20,650

Installment Purchase Agreement – Century Bank & Trust;
due in semi-annual installments of \$61,518 including
interest at 4.9385% through June 17, 2009 171,923

Total long-term debt \$ 192,573

Durant Non-Plaintiff Bond - Included in Governmental Activities General Obligation Bonds is the Durant Non-Plaintiff Bond. Annual total payments (principal and interest) of \$3,538 associated with this bond are funded by the State of Michigan via specifically appropriated State Aid and will not require any District debt levy or utilization of any other District financial resources. The Durant payment was not made by the State in 2007 or 2008. Payments will resume in May 2009.

Bronson Community Schools
Notes to Financial Statements

Note 9 – Risk Management

The School District is exposed to various risks of loss related torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The School District has purchased commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

Note 10 – Defined Benefit Pension Plan and Post-Employment Benefits

Plan Description – The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, MI 48909 or by calling (517) 322-6000.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% if \$5,001 through \$15,000; 4.35% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contributions plus interest, in any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 17.74 percent for the period from July 1, 2007 through September 30, 2007 and 16.72 percent for the period October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The School District's contributions to the MPERS plan for the years ended June 30, 2008, 2007, and 2006 were approximately \$1,012,000, \$1,040,000, and \$1,022,000, respectively. The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Bronson Community Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Post-Employment Benefits (Continued)

Post-Employment Benefits – Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

Note 11 – Federal and State Grants

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Required Supplemental Information

Bronson Community Schools
 Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
Local sources	\$ 1,005,068	\$ 1,031,437	\$ 1,033,621
State sources	8,468,267	8,583,907	8,588,070
Federal sources	375,824	358,332	375,091
Other	6,000	-	-
Total revenues	<u>9,855,159</u>	<u>9,973,676</u>	<u>9,996,782</u>
Expenditures:			
Instruction:			
Basic programs	5,163,327	5,253,312	5,218,195
Added needs	926,707	874,925	857,507
Support Services:			
Pupil	251,005	241,614	239,479
Instructional staff	201,091	174,981	170,845
General administration	224,272	245,193	240,865
School administration	781,954	780,963	775,634
Business	270,032	283,166	276,632
Operation & maintenance	1,222,701	1,036,447	975,099
Pupil transportation	758,537	751,085	733,608
Central services	239,229	235,155	234,334
Community services	-	4,126	4,123
Debt services	163,739	163,739	163,738
Total expenditures	<u>10,202,594</u>	<u>10,044,706</u>	<u>9,890,059</u>
Revenue Over (Under) Expenditures	(347,435)	(71,030)	106,723
Other Financing Sources (Uses):			
Operating transfers out	<u>(243,847)</u>	<u>(252,000)</u>	<u>(252,000)</u>
Total other financing sources (uses)	<u>(243,847)</u>	<u>(252,000)</u>	<u>(252,000)</u>
Net Changes in Fund Balances	(591,282)	(323,030)	(145,277)
Fund Balances - Beginning of Year	<u>1,517,000</u>	<u>1,517,000</u>	<u>1,517,000</u>
Fund Balances - End of Year	<u>\$ 925,718</u>	<u>\$ 1,193,970</u>	<u>\$ 1,371,723</u>

Other Supplemental Information

Bronson Community Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	<u>Special Revenue Funds</u>		<u>Debt Funds</u>	
	<u>Athletics</u>	<u>Food Services</u>	<u>Durant</u>	<u>Total</u>
<u>Assets</u>				
Cash and investments	\$ 25,366	\$ 59,564	\$ -	\$ 84,930
Due from other governmental units	-	4,670	-	4,670
Inventory	-	16,611	-	16,611
Prepaid expenditures	-	28,000	-	28,000
Total assets	<u>\$ 25,366</u>	<u>\$ 108,845</u>	<u>\$ -</u>	<u>\$ 134,211</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 2,311	\$ 10,725	\$ -	\$ 13,036
Total liabilities	<u>2,311</u>	<u>10,725</u>	<u>-</u>	<u>13,036</u>
Fund Balances:				
Reserved for inventory	-	16,611	-	16,611
Reserved for prepaid expenditures	-	28,000	-	28,000
Unreserved undesignated	23,055	53,509	-	76,564
Total fund balances	<u>23,055</u>	<u>98,120</u>	<u>-</u>	<u>121,175</u>
Total liabilities and fund balances	<u>\$ 25,366</u>	<u>\$ 108,845</u>	<u>\$ -</u>	<u>\$ 134,211</u>

Bronson Community Schools
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2008

	<u>Special Revenue Funds</u>		<u>Debt Funds</u>	
	<u>Athletics</u>	<u>Food Services</u>	<u>Durant</u>	<u>Total</u>
Revenues:				
Local sources	\$ 75,323	\$ 230,104	\$ -	\$ 305,427
State sources	-	48,469	-	48,469
Federal sources	-	370,240	-	370,240
Total revenues	<u>75,323</u>	<u>648,813</u>	<u>-</u>	<u>724,136</u>
Expenditures:				
Athletic activities	339,725	-	-	339,725
Food service activities	-	652,756	-	652,756
Total expenditures	<u>339,725</u>	<u>652,756</u>	<u>-</u>	<u>992,481</u>
Revenues Over (Under) Expenditures	<u>(264,402)</u>	<u>(3,943)</u>	<u>-</u>	<u>(268,345)</u>
Other Financing Sources (Uses):				
Operating transfers in	<u>252,000</u>	<u>-</u>	<u>-</u>	<u>252,000</u>
Total other financing sources (uses)	<u>252,000</u>	<u>-</u>	<u>-</u>	<u>252,000</u>
Net Changes in Fund Balances	<u>(12,402)</u>	<u>(3,943)</u>	<u>-</u>	<u>(16,345)</u>
Fund Balances - Beginning of Year	<u>35,457</u>	<u>102,063</u>	<u>-</u>	<u>137,520</u>
Fund Balances - End of Year	<u>\$ 23,055</u>	<u>\$ 98,120</u>	<u>\$ -</u>	<u>\$ 121,175</u>

Bronson Community Schools
Comparative Balance Sheets
General Fund
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Cash and investments	\$ 1,862,700	\$ 2,227,353
Due from other governmental units	1,612,133	1,516,399
Prepaid expenditures	<u>31,573</u>	<u>2,078</u>
Total assets	<u>\$ 3,506,406</u>	<u>\$ 3,745,830</u>
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts payable	\$ 37,990	\$ 41,328
State aid anticipation loan	1,200,000	1,300,000
Salaries payable	596,970	609,042
Accrued expenditures	<u>299,723</u>	<u>278,458</u>
Total liabilities	<u>2,134,683</u>	<u>2,228,828</u>
Fund Balances:		
Reserved for prepaid expenditures	31,573	2,078
Unreserved: undesignated	<u>1,340,150</u>	<u>1,514,924</u>
Total fund balances	<u>1,371,723</u>	<u>1,517,002</u>
Total liabilities and fund balances	<u>\$ 3,506,406</u>	<u>\$ 3,745,830</u>

Bronson Community Schools
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2008
(With Comparative Amounts For the Year Ended June 30 2007)

	<u>2008</u>		<u>Variance -</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>	<u>2007</u>
			<u>(Unfavorable)</u>	
Revenues:				
Local Sources:				
Property taxes	\$ 882,512	\$ 882,608	\$ 96	\$ 787,374
Regular tuition	225	225	-	100
Transportation fees	49,540	51,806	2,266	137,491
Earnings on investments	83,000	82,718	(282)	122,434
Other local revenue	<u>16,160</u>	<u>16,264</u>	<u>104</u>	<u>49,301</u>
Total local sources	<u>1,031,437</u>	<u>1,033,621</u>	<u>2,184</u>	<u>1,096,700</u>
State Sources	<u>8,583,907</u>	<u>8,588,070</u>	<u>4,163</u>	<u>8,645,845</u>
Federal Sources	<u>358,332</u>	<u>375,091</u>	<u>16,759</u>	<u>330,271</u>
Other Revenue:				
Sale of fixed assets	-	-	-	16,375
Total other revenue	-	-	-	<u>16,375</u>
Total revenues	<u>9,973,676</u>	<u>9,996,782</u>	<u>23,106</u>	<u>10,089,191</u>

Bronson Community Schools
Statement of Revenues Expenditures and Changes
in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2008
(With Comparative Amounts For the Year Ended June 30 2007)

	<u>2008</u>		<u>Variance -</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>	<u>2007</u>
			<u>(Unfavorable)</u>	
Expenditures:				
Instruction:				
Basic Programs:				
Elementary				
Salaries	\$ 1,670,850	\$ 1,665,153	\$ 5,697	\$ 1,735,056
Employee benefits	730,773	720,056	10,717	760,962
Purchased services	21,042	20,982	60	3,973
Supplies and materials	71,506	70,990	516	52,607
Capital outlay	56,611	56,584	27	9,038
Total elementary	<u>2,550,782</u>	<u>2,533,765</u>	<u>17,017</u>	<u>2,561,636</u>
High School				
Salaries	1,746,150	1,740,747	5,403	1,751,293
Employee benefits	778,411	765,966	12,445	796,457
Purchased services	20,866	20,838	28	26,806
Supplies and materials	88,448	88,236	212	67,473
Capital outlay	68,655	68,643	12	6,187
Total high school	<u>2,702,530</u>	<u>2,684,430</u>	<u>18,100</u>	<u>2,648,216</u>
Total basic programs	<u>5,253,312</u>	<u>5,218,195</u>	<u>35,117</u>	<u>5,209,852</u>
Added Needs:				
Special Education				
Salaries	161,130	159,672	1,458	150,392
Employee benefits	77,404	75,808	1,596	71,713
Purchased services	15,867	15,867	-	18,979
Supplies and materials	650	472	178	441
Total special education	<u>255,051</u>	<u>251,819</u>	<u>3,232</u>	<u>241,525</u>
Compensatory Education				
Salaries	380,525	374,979	5,546	397,740
Employee benefits	180,976	177,787	3,189	177,432
Purchased services	26,823	21,896	4,927	22,036
Supplies and materials	31,550	31,026	524	9,014
Total compensatory education	<u>619,874</u>	<u>605,688</u>	<u>14,186</u>	<u>606,222</u>
Total added needs	<u>874,925</u>	<u>857,507</u>	<u>17,418</u>	<u>847,747</u>
Total instruction	<u>6,128,237</u>	<u>6,075,702</u>	<u>52,535</u>	<u>6,057,599</u>

Bronson Community Schools
Statement of Revenues Expenditures and Changes
in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2008
 (With Comparative Amounts For the Year Ended June 30, 2007)

	<u>2008</u>		<u>Variance -</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>	<u>2007</u>
			<u>(Unfavorable)</u>	
Expenditures (Continued):				
Support Services:				
Pupil:				
Guidance Services				
Salaries	\$ 160,240	\$ 159,426	\$ 814	\$ 149,818
Employee benefits	79,269	77,957	1312	68,629
Purchased services	430	426	4	1,174
Supplies and materials	1,675	1,670	5	10,956
Total guidance services	<u>241,614</u>	<u>239,479</u>	<u>2,135</u>	<u>230,577</u>
Social Worker				
Total pupil	<u>241,614</u>	<u>239,479</u>	<u>2,135</u>	<u>230,577</u>
Instructional Staff:				
Improvement of instruction				
Purchased services	<u>62,135</u>	<u>60,259</u>	<u>1,876</u>	<u>14,202</u>
Total improvement of instruction	<u>62,135</u>	<u>60,259</u>	<u>1,876</u>	<u>14,202</u>
Library				
Salaries	60,444	59,959	485	67,952
Employee benefits	42,149	41,210	939	36,923
Purchased services	-	-	-	485
Supplies and materials	<u>8,918</u>	<u>8,093</u>	<u>825</u>	<u>7,733</u>
Total library	<u>111,511</u>	<u>109,262</u>	<u>2,249</u>	<u>113,093</u>
Audiovisual				
Purchased services	1,015	1,010	5	-
Supplies and materials	<u>320</u>	<u>314</u>	<u>6</u>	<u>-</u>
Total audiovisual	<u>1,335</u>	<u>1,324</u>	<u>11</u>	<u>-</u>
Total instructional staff	<u>174,981</u>	<u>170,845</u>	<u>4,136</u>	<u>127,295</u>

Bronson Community Schools
Statement of Revenues Expenditures and Changes
in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2008
(With Comparative Amounts For the Year Ended 2007)

	2008		Variance -	
	Budget	Actual	Favorable	2007
			(Unfavorable)	
Expenditures (Continued):				
Support Services (Continued):				
General Administration:				
Board of Education				
Purchased services	50,725	49,165	1,560	21,360
Other	5,000	3,948	1,052	11,624
Total board of education	55,725	53,113	2,612	32,984
Executive Administration				
Salaries	128,120	128,025	95	123,121
Employee benefits	54,848	54,307	541	56,823
Purchased services	4,400	3,507	893	3,487
Supplies and materials	1,600	1,551	49	1,417
Other	500	362	138	-
Total executive administration	189,468	187,752	1,716	184,848
Total general administration	245,193	240,865	4,328	217,832
School Administration:				
Office of the Principal				
Salaries	490,500	489,463	1,037	477,707
Employee benefits	264,632	262,023	2,609	263,907
Purchased services	17,000	15,366	1,634	18,926
Supplies and materials	5,205	5,167	38	5,534
Other	3,626	3,615	11	2,678
Total office of the principal	780,963	775,634	5,329	768,752
Total school administration	780,963	775,634	5,329	768,752
Business:				
Fiscal Services				
Salaries	127,177	127,176	1	119,784
Employee benefits	65,130	64,453	677	63,612
Purchased services	3,250	3,114	136	1,706
Supplies and materials	1,400	1,357	43	974
Total fiscal services	196,957	196,100	857	186,076

Bronson Community Schools
Statement of Revenues Expenditures and Changes
in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2008
(With Comparative Amounts For the Year Ended 2007)

	2008		Variance -	
	Budget	Actual	Favorable (Unfavorable)	2007
Expenditures (Continued):				
Support Services (Continued):				
Business (Continued):				
Other Business Services				
Purchased services	\$ 9,254	\$ 9,251	\$ 3	\$ 9,636
Other	<u>76,955</u>	<u>71,281</u>	<u>5,674</u>	<u>79,345</u>
Total other business services	<u>86,209</u>	<u>80,532</u>	<u>5,677</u>	<u>88,981</u>
 Total business	 <u>283,166</u>	 <u>276,632</u>	 <u>6,534</u>	 <u>275,057</u>
 Operation & Maintenance:				
Salaries	374,689	371,618	3,071	347,091
Employee benefits	218,181	211,825	6,356	192,847
Purchased services	167,327	143,468	23,859	151,210
Supplies and materials	239,310	211,263	28,047	240,869
Capital outlay	36,940	36,925	15	21,671
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,778</u>
Total operation and maintenance	<u>1,036,447</u>	<u>975,099</u>	<u>61,348</u>	<u>957,466</u>
 Pupil Transportation:				
Salaries	241,660	238,885	2,775	227,685
Employee benefits	227,503	222,142	5,361	204,041
Purchased services	99,336	97,781	1,555	154,932
Supplies and materials	105,000	97,464	7,536	68,968
Capital outlay	76,386	76,386	-	83,000
Other	<u>1,200</u>	<u>950</u>	<u>250</u>	<u>1,617</u>
Total pupil transportation	<u>751,085</u>	<u>733,608</u>	<u>17,477</u>	<u>740,243</u>
 Central Services:				
Other Central Services:				
Salaries	-	-	-	1,040
Employee benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>264</u>
Total other central services	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,304</u>

Bronson Community Schools
Statement of Revenues Expenditures and Changes
in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2008
(With Comparative Amounts For the Year Ended 2007)

	<u>2008</u>		<u>Variance -</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>	<u>2007</u>
			<u>(Unfavorable)</u>	
Expenditures (Continued):				
Support Services (Continued):				
Central Services (Continued):				
Data Processing				
Salaries	125,865	125,761	104	121,909
Employee benefits	62,440	61,880	560	61,774
Purchased services	46,400	46,268	132	47,530
Supplies and materials	450	425	25	1,025
Total data processing	<u>235,155</u>	<u>234,334</u>	<u>821</u>	<u>232,238</u>
Total central services	<u>235,155</u>	<u>234,334</u>	<u>821</u>	<u>233,542</u>
Total support services	<u>3,748,604</u>	<u>3,646,496</u>	<u>102,108</u>	<u>3,550,764</u>
Community Services:				
Community Activities				
Purchased services	3,104	3,102	2	900
Supplies and materials	<u>1,022</u>	<u>1,021</u>	<u>1</u>	-
Total community activities	<u>4,126</u>	<u>4,123</u>	<u>3</u>	<u>900</u>
Debt Service:				
Payments of loans	<u>163,739</u>	<u>163,738</u>	<u>1</u>	<u>187,023</u>
Total debt service	<u>163,739</u>	<u>163,738</u>	<u>1</u>	<u>187,023</u>
Total expenditures	<u>10,044,706</u>	<u>9,890,059</u>	<u>154,647</u>	<u>9,796,286</u>
Revenues Over (Under) Expenditures	<u>(71,030)</u>	<u>106,723</u>	<u>177,753</u>	<u>292,905</u>
Other Financing Sources (Uses):				
Operating transfers out	<u>(252,000)</u>	<u>(252,000)</u>	-	<u>(240,279)</u>
Total other financing sources (uses)	<u>(252,000)</u>	<u>(252,000)</u>	-	<u>(240,279)</u>
Net Changes in Fund Balance	<u>(323,030)</u>	<u>(145,277)</u>	<u>177,753</u>	<u>52,626</u>
Fund Balances - Beginning of Year	<u>1,517,000</u>	<u>1,517,000</u>	-	<u>1,464,376</u>
Fund Balances - End of Year	<u>\$ 1,193,970</u>	<u>\$ 1,371,723</u>	<u>\$ 177,753</u>	<u>\$ 1,517,002</u>

Bronson Community Schools
Schedule of Indebtedness
June 30, 2008

Installment Purchase Agreement	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Fiscal Year Interest Requirements</u>	<u>Amount of Annual Maturity</u>	<u>Balance Outstanding June 30, 2008</u>
	June 17, 1999	\$ 1,396,200	4.9385%	06/17/09	\$ 6,393	\$ 171,923	\$ 171,923

Durant Bonds	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Final Maturity</u>	<u>Fiscal Year Interest Requirements</u>	<u>Amount of Annual Maturity</u>	<u>Bonds Outstanding June 30, 2008</u>
	September 14, 1998	\$ 50,383	4.7000%	05/15/09	\$ 983	\$ 2,554	\$ 2,554
			4.7000%	05/15/10	862	2,676	2,676
			4.7000%	05/15/11	1,796	8,819	8,819
			4.7000%	05/15/12	314	3,224	3,224
			4.7000%	05/15/13	161	3,377	3,377
							<u>\$ 20,650</u>



July 29, 2008

Board of Education
Bronson Community Schools
Bronson, Michigan

We have audited the financial statements of Bronson Community Schools for the year ended June 30, 2008, and have issued our report thereon dated July 29, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered Bronson Community School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our audit procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and no other applications of existing policies were changed during the current year. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no material estimates recorded during the current year.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated). There were no significant audit adjustments recorded at year-end.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the Board of Education
Bronson Community Schools
Bronson, Michigan
Page 3

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Education and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

Bronson Community Schools

Single Audit Report

Year Ended June 30, 2008

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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with
Government Auditing Standards**

Board of Education
Bronson Community Schools
Bronson, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bronson Community Schools as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bronson Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

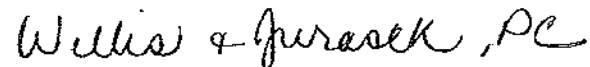
Board of Education
Bronson Community Schools
Bronson, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bronson Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Bronson Community Schools in a separate letter dated July 29, 2008.

This report is intended for the information of the Board of Education, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


Willis & Jurasek, P.C.

July 29, 2008



**Report On Compliance with Requirements
Applicable To Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

Board of Education
Bronson Community Schools
Bronson, Michigan

Compliance

We have audited the compliance of Bronson Community Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Bronson Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Bronson Community Schools' management. Our responsibility is to express an opinion on Bronson Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bronson Community Schools' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bronson Community Schools' compliance with those requirements.

In our opinion, Bronson Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Bronson Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Bronson Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bronson Community Schools as of and for the year ended June 30, 2008, and have issued our report thereon dated July 29, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Schools' basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

July 29, 2008

Federal Grantor	
Pass Through Grantor	
Program Title/Grantor's Number	
<u>U.S. Department of Agriculture</u>	
Child Nutrition Cluster	
Passed through MI Department of Education:	
National School Lunch Program	
Sec. 4 - All	
Sec. 11 - Free and Reduced	
Snacks	
National School Lunch Breakfast	
Total Child Nutrition Cluster	
Food Distribution:	
Entitlement Commodities	
Bonus Commodities	
Total United States Department of Agriculture	
<u>U.S. Department of Education</u>	
Passed through Michigan Department of Education:	
Title I	
071530-0507	
081530-0708	
Title V	
080250-0708	
Title II A	
070520/0607	
070520/0607	
Title III Limited English	
070580-0607	
080560-0708	
Total passed through Michigan Department of Education	
Passed through Calhoun ISD:	
Drug-Free Schools and Communities Act	
Data 4SS	
Title II Part D	
Total passed through Calhoun ISD	
Passed through Macomb ISD	
IDEA flow through	
Total United States Department of Education	

Bronson Community Schools
Notes to Schedule of Expenditures of Federal Awards

Summary of Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bronson Community Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.

Expenditure Reports

Management has reconciled the expenditures reported in the Schedule of Expenditures of Federal Awards to those amounts reported in the annual or final cost reports.

Grant Section Auditor's Report

Management has utilized the Grant Section Auditor's Report (Form R-7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.

Bronson Community Schools
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified
Internal control over financial reporting:
Material weakness identified? _____ yes X no
Significant deficiencies identified that are not
considered to be material weaknesses _____ yes X no
Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major programs:
Material weakness identified _____ yes X no
Significant deficiencies identified that are not
considered to be material weaknesses _____ yes X no

Type of auditor's report issued on compliance
for major programs: Unqualified
Any audit findings disclosed that are required to be
reported in accordance with section 510(a) of
Circular A-133 _____ yes X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.010	Title I

Dollar threshold used to distinguish between
Type A and type B programs: \$ 300,000
Auditee qualified as low-risk X yes _____ no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Bronson Community Schools
Comments on Resolution of Findings from June 30, 2007
Single Audit Report

Finding: There were no findings or questioned costs at June 30, 2007.